

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 NEA-10 ISO-00 AID-05 CIAE-00 COME-00

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FM AMEMBASSY TRIPOLI

TO SECSTATE WASHDC 2235

INFO AMEMBASSY LONDON

AMEMBASSY PARIS

AMCONSUL ZURICH

CONFIDENTIAL TRIPOLI 0603

E.O. 11652: GDS

TAGS: MASS, BBAK

SUBJECT: ALERTING AMERICAN COMPANIES TO SPECIAL FEE IMPOSED

BY LARGON MILITARY CONTRACTS

REF: TRIPOLI 171

1. SUMMARY. U.S. BUSINESSMEN SELLING TO THE LIBYAN MILITARY ARE BEING FORCED TO DEAL WITH A MYSTERIOUS AGENCY WHICH OBVIOUSLY HAS LIBYAN GOVT BACKING. THE AGENCY, AFRICA TRADE AND IMPORT, CHARGES A COMMISSION BUT DOES NOTHING IN RETURN. CHARGE HAS COMPLAINED TO FOREIGN MINISTRY OFFICIAL ABOUT ARRANGEMENT, AND RECOMMENDS THAT DEPT AND COMMERCE CONSIDER HOW BEST TO MAKE U.S. COMPANIES AWARE OF THE SITUATION.
END SUMMARY.

2. DEPT WILL RECALL THAT AFRICA TRADE AND IMPORT CO. (ATI) WAS SET UP IN 1974 BY LIBYANS AS AGENCY THROUGH WHICH FOREIGN PRIVATE BUSINESSMEN WISHING TO MAKE SALES OF ANY KIND TO LIBYAN MILITARY WOULD HAVE TO DEAL (REFTEL). LIBYAN GOVT HAS NEVER OPENLY EXPLAINED FUNCTION AND PURPOSE OF THIS
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COMPANY OR ORGANIZATION, BUT IT IS OBVIOUSLY

DESIGNED TO IMPOSE A SPECIAL TAX ON FOREIGN CONTRACTORS AND
TO ELIMINATE ANY LIBYAN BUSINESSMEN AS AGENTS.

3. LATEST CASE WE KNOW INVOLVED JERRY WILWEGMRNGQC REPRESENTATIVE OF AIR LOGISTICS CORPORATION, CALIFORNIA COMPANY WHICH SELLS AN ARTIFICIAL SURFACE MATERIAL WHICH HAS USES IN MILITARY TRANSPORTATION. AFTER SOME THREE WEEKS OF TOUGH NEGOTIATIONS, AND AT POINT OF SIGNING CONTRACT FOR SALE OF ABOUT ONE MILLION DOLLARS WORTH OF HIS SURFACE, HE WAS INSTRUCTED BY MILITARY OFFICERS TO REPORT TO OFFICE OF AFRICA TRADE AND IMPORT CO. HE WAS RUDELY RECEIVED THERE AND INFORMED THAT ATI WOULD REQUIRE COMMISSION OF 20 PERCENT ON THE DEAL. DURING DISCUSSION THIS DEMAND WAS REDUCED TO 4 PBACEXZ. ATI PROPOSED TO DO NOTHING FOR HIM IN RETURN.

4. WE TOLD HIM THAT WHILE DECISION WAS HIS, AT VERY LEAST HE OUGHT TO GET A LETTER FROM LIBYAN MILITARY AUTHORIZING USE OF ATI AS AGENT. (TO MAKE MATTERS WORSE, STANDARD CONTRACT LIBYAN PROCUREMENT OFFICE WANTS HIM TO SIGN SPECIFICALLY PROHIBITS USE OF AGENTS, AND PROVIDES PENALTIES FOR VIOLATORS.) WE SUGGESTED THAT, AS IT IS CLEAR ATI IS OFFICIALLY SANCTIONED ORGANIZATION, EVEN THOUGH LIBYANS WILL NOT ADMIT IT, HE ADD FEE THEY CHARGE TO COST OF CONTRACT. AT OUR LAST CONTACT HE WAS UNDECIDED, BUT INCLINED TO GIVE UP AND GO HOME IN DISGUST.

5. AT SOCIAL FUNCTION CHARGE COMPLAINED TO MFA DEPUTY UNDER-SECRETARY FOR TECHNICAL AFFAIRS, AHMAD AL-ATRASH, THAT AMERICAN BUSINESSMEN WERE BEING HARASSED BY THIS ARRANGEMENT. AFTER INVESTING CONSIDERABLE TIME AND MONEY IN NEGOTIATING AND CONCLUDING APPARENTLY FIRM CONTRACTS WITH MILITARY PROCUREMENT OFFICIALS, THEY THEN LEARN THEY MUST PAY SO-CALLED AGENT'S FEE TO ATI, APPARENTLY A DUMMY COMPANY. ATRASH DISCLAIMED KNOWLEDGE OF ATI, BUT EXPRESSED OPINION THAT ANY REQUIREMENT FOR SUCH A FEE SHOULD BE MADE KNOWN TO BUSINESSMEN WHEN THEY BEGIN TO NEGOTIATE. HE SAID HE WOULD LOOK INTO PROBLEM.

6. EMBASSY IS MAKING POINT OF ALERTING AMERICAN BUSINESSMEN DEALING WITH LIBYAN MILITARY TO INQUIRE ABOUT AGENT'S FEE AT CONFIDENTIAL

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EARLY STAGE OF NEGOTIATIONS. ALSO RECOMMEND THAT DEPT AND COMMERCE CONSIDER BEST MEANS OF MAKING INTERESTED AMERICAN COMPANIES AWARE OF SITUATION. ATI HAS OFFICES CONNECTED WITH LIBYAN EMBASSIES IN PARIS (LT. COL. MUFTAH DAKHIL) AND IN LONDON (LT. SAID QADHAFADDAM) AND IN ZURICH AS WELL.

7. BOTH SOVIET AND FRENCH AMBASSADORS CONFIRMED TO US THAT ATI HAS NOT BEEN PROBLEM TO THEM BECAUSE THEIR COUNTRIES

MAKE MILITARY SALES TO LIBYA ON STATE TO STATE BASIS.

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